

Statement of Connie Mack
Chairman, President's Advisory Panel on Tax Reform
March 3, 2005

Good morning. I would like to welcome everyone to the second meeting of the President's Advisory Panel on Federal Tax Reform. At our first meeting – two weeks ago – I mentioned the importance that all of us on this panel have placed on making sure the public knows about our activities and has a chance to provide input to our process. I announced our website, www.taxreformpanel.gov, and also made a specific request for public comments on the problems with our current tax code and the goals that we should seek as we consider options for reform.

Since then, we have been contacted by hundreds of concerned Americans who have shared their own experiences with the tax code and expressed support and encouragement. For example, Mr. Shapiro from Florida wrote to the panel to express his concern that the tax system is a “great burden to individual entrepreneurs of our country” and that “the burdens of the complexities and potential consequences of errors dampen or destroy our creative impulses.” We look forward to hearing from additional taxpayers like Mr. Shapiro who have an interest in helping us fulfill our mission to make recommendations for a tax system that is simpler, fairer and more growth oriented.

I also promised that I would announce the dates and locations of our upcoming meetings. Next week, on March 8, we will be meeting in Tampa, Florida, the first of several meetings outside of Washington, D.C. In Tampa, we will examine the impact of our tax system on business and entrepreneurship. The following week, we will travel to Chicago, where we will explore the influence of the tax system on important taxpayer decisions. We will be announcing additional meetings to be held during the last two

weeks of March. At each of these meetings we will hear from an array of tax experts and policymakers and from Americans who struggle with the code as they make decisions and business plans that affect how much they work and save, and how they organize their activities.

Before I describe today's meeting, I would like to acknowledge the recent death of David Bradford, one of the architects of the Tax Reform Act of 1986. Professor Bradford was an influential, insightful, and intelligent voice for tax reform who participated in the policy debates as a scholar at Princeton University, a policy maker in the Ford administration and an economic advisor to President George H. W. Bush. We will sorely miss Professor Bradford's wisdom, but at the same time, I am sure that we will hear from many who have been influenced by David's creative ideas for tax reform.

Today we will build upon the excellent introduction to the current tax system we received at the first meeting and will put the problems of our tax code in sharper focus. We are honored to have with us Chairman Alan Greenspan who will explain how the tax system restrains our economy and how taking steps to streamline and simplify our tax system would benefit the economy. During the course of our work, we also plan to hear from a number of people who were involved in previous tax reform efforts. We are privileged to begin today with James Baker, who was Secretary of the Treasury during the last major successful reform, in 1986. Secretary Baker will join us from Houston.

Commissioner Mark Everson will help us examine our existing tax code from the viewpoint of the tax administrator. We will look at how the IRS copes with the tax code's immense complexity and the detrimental impact that complexity has on our system of voluntary compliance.

Our next two witnesses will help us understand the complexity of the taxpayer perspective. Nina Olson, the National Taxpayer Advocate, will share with us her firsthand knowledge of the difficulties that taxpayers confront in understanding and applying the complicated rules found in our tax code. Professor Joel Slemrod will help us understand the magnitude of the compliance burden and the wasteful and inefficient nature of our tax system.

Our last panel will shine the spotlight on the Alternative Minimum Tax. Leonard Burman of the Urban Institute will explain how the AMT evolved from a targeted provision aimed at a handful of high-income taxpayers who were avoiding paying tax into a parallel system that imposes a significant hardship on millions of middle-class families. We will explore the AMT regime and the triggers that snare unsuspecting taxpayers. In addition, we will hear from Claudia Hill, a professional tax advisor who prepares hundreds of returns every year and whose clients, like many other Americans, have fallen into the AMT trap. Finally, we have a statement for the record submitted by Thomas Rinaldi, a small business owner and AMT taxpayer from Katonah, New York. Due to a medical emergency at his business, Mr. Rinaldi could not be with us. Mr. Rinaldi had never even heard of the AMT before his accountant told him that he would owe additional taxes. Mr. Rinaldi told us that his accountant has tried to explain the AMT to him several times, but that he still does not understand it. The Rinaldis are just like millions of other American families who have been surprised to find themselves falling victim to the AMT.

Today's meeting, along with upcoming meetings across the country, will lay a solid foundation for a thorough understanding of the problems created by our tax code.

We intend to build on this understanding in making recommendations for a tax system that will live up to the expectations of the American people.